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1 September 1966

*Noted by DLT
2 Sep 66*

MEMORANDUM FOR DICK HELMS

NSC REVIEW
COMPLETED,
6/26/2003

Here's a copy of Bill Leonhart's quite perceptive report on his last Vietnam trip. As an old reader between the lines, I think you will see that we've gotten some movement. If pacification (what do we call it now?) is the new order of the day, I hope the Agency will chip in by

[redacted]
which I suspect may be as important as RD Cadre. I've talked with Bill Colby about this.

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Incidentally no criticism intended. From what we've seen, Agency support [redacted] is first class.

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R. W. Komer

Attachment

66-3809

THE WHITE HOUSE

WASHINGTON

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August 30, 1966

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Visit to Vietnam -- August 1966

I. PACIFICATION.

1. The main purpose of my second visit to Vietnam was to find out more about Ambassador Lodge's views on where we go from here on pacification, how to speed it up, and how MACV planned to re-direct more GVN military resources to tough local security problems. I tried out a number of ideas along these lines that Bob Komer asked me to discuss with Lodge and Porter.

a. Lodge was more than receptive. Your recent messages have firmly focussed his attention on pacification which he now calls "the heart of the matter." Westmoreland and Porter are similarly engaged. An extensive planning effort is now underway--but its real bite will not come until 1967.

b. On the Embassy side, a Roles and Mission Working Group is targeted on streamlining the hodgepodge of GVN military and civilian security forces. MACV is doing staff exercises on an optimum ARVN force structure; a design for a post-hostilities GVN security establishment; and a balanced U.S. force structure which can be sustained, indefinitely if needed, without a reserve call-up. You should have their conclusions by early October.

c. Similarly, a new US/GVN effort at coordinated pacification planning is underway, really for the first time. Porter has pulled together all the civilian agencies plus MACV in a Joint Planning Group on RD goals, resources, and guidelines. Regular meetings, including joint field trips, with GVN, RD and JGS officers are coordinating selection of 1967 national priority areas and setting combined resource and manpower requirements. Completion expected by December.

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d. All of these are useful initial steps, but they must be followed through effectively and on a scale that matches our commitments. Much more remains to be done before there is an effective and responsible pacification system in operation on the ground. Moreover, even at this planning stage, there are still a number of unresolved questions--the extent of participation by U.S. forces; the role of ARVN corps and division levels in pacification operations; possible transfer of RF/PF to the RD Ministry; or the conversion of the RF/PF to a Police Constabulary for post-hostilities civilian security.

e. But there now seems general Mission agreement that, while U.S. forces must help, ARVN should carry the main weight of the pacification job and that in 1967 the GVN will devote at least 50 percent of its military resources to RD in I, II and III Corps, and 25 percent in IV Corps, where there are as yet no significant U.S. forces. As rough aggregates, these represent progress; their application to provinces and districts have yet to be worked out.

2. ARVN Force Improvement. Closely related to the use of ARVN for accelerated pacification is a systematic new MACV effort to improve the quality and effectiveness of GVN forces. This parallel effort may be the most significant event now taking place in Vietnam.

a. At its core is expansion of combined operations and the military "buddy system." It builds both on the small unit models of the Marines' Combined Action Companies and the newer association of the US 1st Division with the 5th ARVN and of the 25th US with the 25th ARVN. It will cover the use of forces in both pacification and major combat actions.

b. The ARVN improvement program will also include reduction of the ratio of tail to teeth in combat units, improved leadership training, battlefield commissions, reform of the draft law, new desertion penalties, and joint US/GVN military inspection teams to appraise the effectiveness of ARVN units and commanders in RD. (A similar program for ROK Forces turned the tide of battle in Korea.)

3. Enemy Situation. All field intelligence available to us confirmed weakening VC morale: food and medical supplies are down;

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sickness up - enlistments more difficult; defections more frequent. The end of the beginning may be in sight.

a. There are a number of projects now being explored which we hope will accelerate the process: Ky's proposal for GVN warehouses and ARVN rice collections (paying market prices) in the delta; the question of a U.S. delta offensive now under examination by the Embassy and MACV staffs; improved surrender, interrogation, and prisoner exploitation procedures; stepped-up economic warfare and resources control. Bob Komer and I have been plugging away at all of these in Washington and Saigon, and will continue to do so.

b. Under pressure from here the defector program (Chieu Hoi) is now in higher gear. As you know, the rate is running twice last year's; should total 22,500 in 1966; now has a target--based on better backing and more skilful use of the defectors against other VC waverers--of 45,000 in 1967.

II. ECONOMIC ITEMS.

1. Bob Nathan has reported to you separately on economic stabilization, field economic management deficiencies, and the need for top quality U.S. personnel in the field. We are doing some of the economic forward planning here in Washington; and Bob Komer has laid on a new stabilization study to preserve the benefits of devaluation. But there is an urgent requirement for three or four qualified economic experts in the Mission to formulate--and negotiate with the GVN--an adequate stabilization strategy.

2. GVN Foreign Exchange Reserves pose a special problem. At present GVN reserves total about \$250 million and are rising \$10 million a month. If present practice continues, they will be in the \$450 - \$500 million range by the end of 1967. We took a tough line with Minister of National Economy Thanh and National Bank Governor Hanh that such accumulations would pose major political problems for us--and could risk Congressional and public support for the AID program. We had in mind particularly the vulnerability of a possible AID Supplemental to this kind of exchange reserve build-up. We suggested these GVN reserves might better be used in 1967 to finance a larger share of imports, prepay DLF loans, or

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increase GVN contributions to international monetary institutions. Both Thanh and Hanh will attend the IMF/IBRD meeting in Washington at the end of September and we will hit them hard again on this.

3. Port Situation. The takeover has gone well. Relations between the MACV advisers and their GVN counterparts are close and effective. But we are not yet out of the woods. Some deficit in capacity will remain throughout 1966 and into early 1967. Our military, as you know, only assumed responsibility for military and government-to-government CPA shipments--not the much tougher task of handling commercial imports.

What we need to do: (1) Give top priority to the completion of Newport, which continues to slip--restoration of a \$30 million funding cut is now being sought; (2) Refurbish Saigon port by paving worn out dirt approaches, completing hard stands, and improving lighting and handling gear--MACV and USAID are now compiling estimates; (3) Control strictly U.S. civil/military inventory levels and shipments of non-essential supplies; (4) Review present arrangements for handling commercial cargoes at the end of the next 60 days, and, unless promised improvements have been made, press again for military management of commercial shipments.

4. Postwar Development Planning. At Komer's request, Nathan made a first-rate presentation to Ky of the political and economic benefits of launching a study now. He explained how it should be organized on sectoral and regional bases to best contribute to binding South Vietnam together as a nation. Ky seemed enthusiastic and eager to get started. The way now seems clear.

III. POST-ELECTION PROSPECTS.

Every indication points to a successful Constitutional Assembly election and an impressive voter turnout. The need to broaden the political base, to re-start the democratic process, to fold civilians into the directing military establishment, and to do so on terms the military will find tolerable are all evident.

a. But the Assembly will mark a new and more complicated political phase in our relations with Vietnam. There will be new

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opinion currents with which to deal and new influences at work to which we may have to adapt the timing or substance of our decisions. The political process in short is likely to become a good deal more tricky in the period immediately ahead.

b. These prospects strengthen the need to institutionalize the new network of joint US/GVN bodies that are now beginning to appear. While we were in Saigon, two new joint boards were set up: a Joint Economic Committee, to be co-chaired by the Minister of National Economy and the Deputy Ambassador which will meet regularly every ten days; and a Joint Rice Board for US/GVN cooperation on production, import, storage, sale, and pricing. We still need a better handle on rice, and are trying to get one.

c. Additionally, we now have a Joint Planning Group for RD, a Combined Postwar Planning Group in prospect, and the standing liaison between MACV and the JGS. Properly used, these joint agencies can provide moorings and stability for our policies against the waywardness or inexperience of the Constituent Assembly or the future Parliament. They can develop into essential instruments of U.S. influence. But they must be staffed by first-rate people.



William Leonhart

A postscript is attached.

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